

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Amber Township	County Mason
Fiscal Year End March 31, 2007	Opinion Date August 1, 2007	Date Audit Report Submitted to State August 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

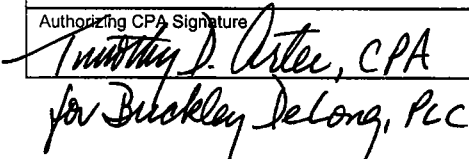
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Brickley DeLong, PLC		Telephone Number (231) 726-5800	
Street Address 316 Morris Avenue		City Muskegon	State MI
		Zip 49443	
Authorizing CPA Signature  for Brickley DeLong, PLC		Printed Name TIMOTHY D. ARTER	License Number 10253

Amber Township  
Mason County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2007

Amber Township

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As management of Amber Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Amber Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

**FINANCIAL HIGHLIGHTS**

- The General Fund fund balance increased \$17,536, while the Downtown Development Authority balance increased by \$226,317.
- The Township spent \$45,817 on improving roads within the Township during the year. With this expenditure, the Township was able to complete many small road projects.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Amber Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and community and economic development.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Downtown Development Authority Fund, which are considered major funds

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Downtown Development Authority.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for Amber Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Township's net assets from governmental activities totaled \$1,016,049.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$904,455. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Assets**

	Governmental Activities	
	2007	2006
Current assets	\$ 959,987	\$ 717,381
Capital assets	111,594	114,758
Total assets	1,071,581	832,139
Current liabilities	32,005	32,851
Noncurrent liabilities	23,527	54,638
Total liabilities	55,532	87,489
Net assets		
Invested in capital assets, net of related debt	111,594	114,758
Unrestricted	904,455	629,892
Total net assets	\$ 1,016,049	\$ 744,650

The increase in current assets was primarily attributable to the increase in cash within the DDA, which was a result of the Township not spending funds due to no new projects materializing within the DDA. Capital assets decreased primarily due to current year depreciation expense. Total liabilities decreased due to the Township making its regular debt payments.

**Governmental Activities**

Governmental activities increased by \$271,399 during the 2007 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

**Change in Net Assets**

	Governmental Activities	
	2007	2006
Revenues:		
Program revenues		
Charges for services	\$ 37,451	\$ 34,470
Capital grants and contributions	2,888	2,262
General revenues		
Property taxes	293,823	292,225
Grants and contributions not restricted	139,730	140,391
Unrestricted investment earning	23,308	18,155
Miscellaneous	3,799	-
Total revenues	500,999	487,503
Expenses:		
General government	141,117	147,461
Public safety	10,900	17,519
Public works	73,656	78,215
Community and economic development	1,085	577,751
Interest on long-term debt	2,842	2,329
Total expenses	229,600	823,275
Change in net assets	271,399	(335,772)
Net assets - Beginning	744,650	1,080,422
Net assets - Ending	\$ 1,016,049	\$ 744,650

When comparing the 2007 fiscal year to the 2006 fiscal year, revenue and expenditures of governmental activities were fairly consistent for most categories. The exception to the consistency is the expense line item labeled community and economic development. The 2006 expense is much higher due to the Township paying the remainder owed to the County for a sewer project related to prior years work in 2006.

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Amber Township. At the end of the fiscal year 2007, the entire amount of the General Fund fund balance was unreserved. This amount was an increase of 5% over the prior year.

The Downtown Development Authority Fund accounts for the activities that are designed to provide infrastructure along US 10 to help develop the potential economic benefits. The fund balance at the end of the 2007 fiscal year was \$587,621, an increase of 63% over the prior year. The reason for such a large increase is because the Downtown Development Authority had relatively little activity with current tax revenue raised being set aside for future projects.

At March 31, 2007, Amber Township's governmental funds reported a combined fund balance of \$959,092. This number represents the unreserved fund balance of \$371,471 in the General Fund, and a reserved fund balance of \$587,621 in the Downtown Development Authority. The reserved balance is to be used for future projects that will be used to benefit and encourage growth within the area of the Downtown Development Authority.

**General Fund Budget**

During the current fiscal year, the Township made no significant amendments to its original budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Property tax revenue was less than budgeted, while charges for services were greater than budgeted due to the property tax admin fee being incorrectly budgeted as part of property tax revenue.
- Roads were lower than budgeted while debt service payments were over budget due to the debt payment incorrectly being budgeted in roads.



**Capital Assets Administration**

Amber Township's investment in capital assets for its governmental activities as of March 31, 2007 totaled \$111,594 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles.

During the years ended March 31, 2007 and 2006, the Township did not purchase or dispose of any capital assets.

**Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2007	2006
Land	\$ 29,316	\$ 29,316
Buildings and improvements	82,278	85,442
Furniture and equipment	-	-
Total	<u>\$ 111,594</u>	<u>\$ 114,758</u>

Additional information on the Township's capital assets can be found in the notes to financial statements.

**Long-Term Debt**

At the end of the 2006 fiscal year, the Township had total outstanding debt of \$85,348 consisting of a note payable to a local bank incurred due to past road projects. During the year ended March 31, 2007, the Township made its scheduled payment and reduced the debt by \$30,710, leaving a debt balance at \$54,638 as of March 31, 2007. The total debt of \$54,638 in governmental funds is backed by the full-faith and credit of the Township.

Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**General Economic Overview**

Amber Township's General Fund is comprised of two major revenue sources: state revenue sharing and property tax revenue. Those two sources comprise approximately 76% of the General Fund's revenue sources. In fiscal year 2007, state revenue sharing is expected to remain flat. Property tax revenues will probably increase slightly due to an increase in taxable value and expected increased development within the Township. Expenditures are expected to remain consistent with 2007.

The Township is optimistic for future economic growth development.

**Requests for Information**

This financial report is designed to provide a general overview of the Amber Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Amber Township, 221 North Gordon Road, Scottville, Michigan, 49454, (231) 757-2160.

# BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

August 1, 2007

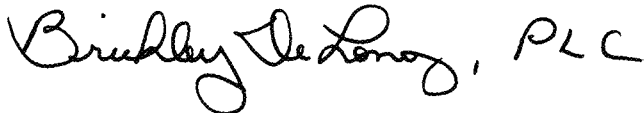
Members of the Township Board  
Amber Township  
Scottville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amber Township as of and for the year ended March 31, 2007, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Amber Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Amber Township, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 18 - 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Amber Township  
**STATEMENT OF NET ASSETS**  
 March 31, 2007

ASSETS

	Governmental activities
	<u>                    </u>
CURRENT ASSETS	
Cash and investments	\$ 926,174
Receivables	10,872
Due from other governmental units	<u>22,941</u>
Total current assets	959,987
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	29,316
Depreciable	<u>82,278</u>
Total capital assets	<u>111,594</u>
Total assets	1,071,581
	LIABILITIES AND NET ASSETS
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	894
Bonds and other obligations, due within one year	<u>31,111</u>
Total current liabilities	32,005
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>23,527</u>
Total liabilities	<u>55,532</u>
NET ASSETS	
Invested in capital assets, net of related debt	111,594
Unrestricted	<u>904,455</u>
Total net assets	<u><u>\$ 1,016,049</u></u>

The accompanying notes are an integral part of this statement.

Amber Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expenses)
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Revenue and Changes in Net Assets</u>
Governmental activities				<u>Governmental activities</u>
General government	\$ 141,117	\$ 37,451	\$ -	\$ (103,666)
Public safety	10,900	-	-	(10,900)
Public works	73,656	-	2,888	(70,768)
Community and economic development	1,085	-	-	(1,085)
Interest on long-term debt	2,842	-	-	(2,842)
Total	<u>\$ 229,600</u>	<u>\$ 37,451</u>	<u>\$ 2,888</u>	(189,261)
General revenues				
Property taxes, levied for general purposes				293,823
Grants and contributions not restricted to specific programs				139,730
Unrestricted investment earnings				23,308
Miscellaneous				<u>3,799</u>
Total general revenues				<u>460,660</u>
Change in net assets				271,399
Net assets at April 1, 2006				<u>744,650</u>
Net assets at March 31, 2007				<u>\$ 1,016,049</u>

The accompanying notes are an integral part of this statement.

Amber Township  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2007

	General Fund	Downtown Development Authority	Total governmental funds
<b>ASSETS</b>			
Cash and investments	\$ 338,552	\$ 587,621	\$ 926,173
Property taxes receivable	10,872	-	10,872
Due from other governmental units	22,941	-	22,941
Total assets	<u>\$ 372,365</u>	<u>\$ 587,621</u>	<u>\$ 959,986</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 894	\$ -	\$ 894
Fund balances			
Unreserved, undesignated			
General Fund	371,471	-	371,471
Special Revenue Fund	-	587,621	587,621
Total fund balances	<u>371,471</u>	<u>587,621</u>	<u>959,092</u>
Total liabilities and fund balances	<u>\$ 372,365</u>	<u>\$ 587,621</u>	<u>\$ 959,986</u>

The accompanying notes are an integral part of this statement.

Amber Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2007

Total fund balance—governmental funds	\$ 959,092
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 157,899	
Accumulated depreciation	<u>(46,304)</u>	111,595

Long-term liabilities in governmental activities are not due and payable in the current period  
and are not reported in the governmental funds.

Note payable	<u>(54,638)</u>
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Net assets of governmental activities in the Statement of Net Assets	<u><u>\$ 1,016,049</u></u>
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The accompanying notes are an integral part of this statement.

Amber Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended March 31, 2007

	General Fund	Downtown Development Authority	Total governmental funds
REVENUES			
Property taxes	\$ 79,045	\$ 214,778	\$ 293,823
Intergovernmental revenues - State	142,618	-	142,618
Charges for services	37,451	-	37,451
Investment earnings	10,517	12,790	23,307
Other	3,799	-	3,799
Total revenues	273,430	227,568	500,998
EXPENDITURES			
Current			
General government	136,701	1,251	137,952
Public safety	10,900	-	10,900
Public works	73,656	-	73,656
Community and economic development	1,085	-	1,085
Debt service			
Principal	30,710	-	30,710
Interest and fees	2,842	-	2,842
Total expenditures	255,894	1,251	257,145
Net change in fund balances	17,536	226,317	243,853
Fund balances at April 1, 2006	353,935	361,304	715,239
Fund balances at March 31, 2007	\$ 371,471	\$ 587,621	\$ 959,092

The accompanying notes are an integral part of this statement.



Amber Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

Net change in fund balances—total governmental funds	\$ 243,853
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.	
Depreciation expense	(3,164)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>30,710</u>
Change in net assets of governmental activities	\$ <u><u>271,399</u></u>

The accompanying notes are an integral part of this statement.

Amber Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2007

	Private Purpose Trust Fund - Simple	Tax Collection- Agency Fund
ASSETS		
Cash and cash equivalents	\$ 3,015	\$ 9,327
LIABILITIES		
Due to other governmental units	\$ 3,015	\$ 9,327

The accompanying notes are an integral part of this statement.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Amber Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

Amber Township (Township) is a common law township governed by an elected five-member board.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The Township does not contain any discretely presented component units. The blended component unit has a March 31 fiscal year end.

**Blended Component Unit**

*Downtown Development Authority (DDA).* The DDA board is appointed by the Township Board. The DDA board cannot authorize and issue debt independent from the Township. The DDA is presented as a special revenue fund.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Downtown Development Authority is used to improve the Township's infrastructure.

Additionally, the Township reports the following fund type:

The Agency Fund accounts for assets the Township holds on behalf of others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity*

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$98,200,000 of which approximately \$23,000,000 was captured by the Downtown Development Authority (DDA). The ad valorem taxes levied consisted of .9098 mills for the Township's operating purposes. These amounts are recognized in the respective General Fund and DDA.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Equipment	5-10

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**Excess of Expenditures Over Appropriations**

For the year ended March 31, 2007, actual expenditures exceeded appropriations for payments of debt and interest by \$33,552.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$826,174 of the Township's bank balance of \$926,174 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2007
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 29,316	\$ -	\$ -	\$ 29,316
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	126,583	-	-	126,583
Furniture and equipment	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total capital assets, being depreciated	128,583	-	-	128,583
<b>Less accumulated depreciation:</b>				
Buildings and improvements	41,141	3,164	-	44,305
Furniture and equipment	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total accumulated depreciation	<u>43,141</u>	<u>3,164</u>	<u>-</u>	<u>46,305</u>
Total capital assets, being depreciated, net	<u>85,442</u>	<u>(3,164)</u>	<u>-</u>	<u>82,278</u>
Capital assets, net	<u>\$ 114,758</u>	<u>\$ (3,164)</u>	<u>\$ -</u>	<u>\$ 111,594</u>

**Depreciation**

Depreciation expense of \$3,164 was charged to general government.



Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE E—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2007.

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Due within one year
<b>Governmental activities:</b>					
Note payable	\$ 85,348	\$ -	\$ 30,710	\$ 54,638	\$ 31,111

**Governmental activities:**

**General obligation bonds:**

    Note payable to bank due in annual installments  
    of \$33,552, including interest through April 2008;  
    interest at 3.25%.

\$ 55,488

Annual debt service requirements to maturity for debt outstanding as of March 31, 2007 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2008	\$ 31,111	\$ 2,441
2009	23,527	1,243
	<u>\$ 54,638</u>	<u>\$ 3,684</u>

**NOTE F—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**Guarantees**

The Township and various other entities are guarantors of an equipment financing agreement of the Mason County Rural Fire Authority. Management anticipates no loss as a result of its share of the \$610,000 guarantee.

Amber Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE G—PENSION PLAN**

The Township provides pension benefits for all of its board members through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township adopted a defined contribution pension plan, effective April 20, 1969, with the Manufacturer's Life Insurance Company. The annuity formula or schedule is based upon \$100 contribution per employee earning less than \$300 annually; \$200 for those earning \$300 or more but less than \$600; \$300 for those earning \$600 or more but less than \$900; \$400 for those earning \$900 or more but less than \$1,200; \$500 for those earning \$1,200 or more but less than \$1,500; and \$600 for those earning \$1,500 or more.

For the year ended March 31, 2007, the contribution to the Plan by the Township was \$4,275.

**NOTE H—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 52 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTAL INFORMATION**

Amber Township  
Required Supplemental Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 113,000	\$ 113,000	\$ 79,045	\$ (33,955)
Intergovernmental revenues - State	142,000	142,000	142,618	618
Charges for services	3,100	3,100	37,451	34,351
Investment earnings	10,000	10,000	10,517	517
Other	-	-	3,799	3,799
Total revenues	268,100	268,100	273,430	5,330
EXPENDITURES				
Current				
General government				
Board	26,000	26,000	25,889	111
Supervisor	18,000	18,000	17,633	367
Elections	4,000	5,000	4,295	705
Board of review	1,000	1,000	-	1,000
Clerk	20,000	20,000	19,394	606
Treasurer	25,000	26,000	26,467	(467)
Assessor	23,000	24,500	24,133	367
Township hall	21,000	21,000	15,684	5,316
Land division	100	100	-	100
Cemetery	4,000	4,000	3,206	794
Public safety				
Fire	20,000	20,000	10,900	9,100
Public works				
Roads	74,000	80,000	45,817	34,183
Water and Sewer	32,000	32,000	27,839	4,161
Community and economic development	1,000	2,000	1,085	915
Other governmental functions				
Contingency	27,000	16,500	-	16,500
Debt service				
Principal	-	-	30,710	(30,710)
Interest and fees	-	-	2,842	(2,842)
Total expenditures	296,100	296,100	255,894	40,206
Net change in fund balances	\$ (28,000)	\$ (28,000)	17,536	\$ 45,536
Fund balance at April 1, 2006			353,935	
Fund balance at March 31, 2007			\$ 371,471	

Amber Township  
Required Supplemental Information  
**BUDGETARY COMPARISON SCHEDULE**  
Downtown Development Authority  
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- Positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 214,778	\$ (222)
Investment earnings	10,000	10,000	12,790	2,790
Total revenues	<u>225,000</u>	<u>225,000</u>	<u>227,568</u>	<u>2,568</u>
EXPENDITURES				
Current				
General government	3,000	3,000	1,251	1,749
Public works	<u>583,000</u>	<u>583,000</u>	<u>-</u>	<u>583,000</u>
Total expenditures	<u>586,000</u>	<u>586,000</u>	<u>1,251</u>	<u>584,749</u>
Net change in fund balance	\$ <u><u>(361,000)</u></u>	\$ <u><u>(361,000)</u></u>	226,317	\$ <u><u>587,317</u></u>
Fund balance at April 1, 2006			<u>361,304</u>	
Fund balance at March 31, 2007			<u><u>\$ 587,621</u></u>	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2007

Township Board  
Amber Township  
Scottville, Michigan

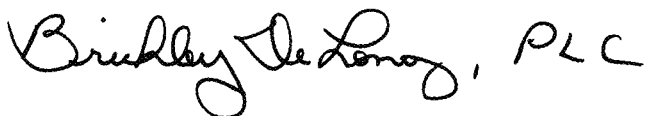
In planning and performing our audit of the governmental activities, each major fund and the aggregate remaining fund information of Amber Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Amber Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Amber Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Amber Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



## SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Township Board and chief executive officer.

Recommendation 3: Annual budgets and budget amendments should be adopted in a format consistent with internal and external financial statement presentations.

The Township's final amended budget for various funds failed to provide the necessary detail required for proper financial statement presentation.

The presentation of annual and amended budgets in a format consistent with financial statement presentation would help insure proper presentation and fiscal compliance.

Recommendation 4: Reconcile bank statements to the general ledger.

We noted the bank statements are not being reconciled to the general ledger. The failure to reconcile the bank statements to the general ledger provides the opportunity for misappropriations of funds and accounting errors to be undetected.

We recommend that the bank statements for all accounts be reconciled to the general ledger on a monthly basis.

Recommendation 5: All receipts should be accompanied by a supporting documentation.

During our review of cash receipts, we noted that some cash receipts were not accompanied by supporting documentation.

Proper supporting documentation will reduce the possibility of items being misclassified when they are recorded and allow for more efficient review of transactions.